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SUBJECT: AMBASSADOR OPENS AMERICAN CORNER, MEETS WITH KEY
LEADERS IN AKTOBE

Classified By: Pol/Econ Chief Steven Fagin, Reasons 1.4 (b) and (d)

Summary

¶1. (C) The Ambassador attended the official opening of the eighth American Corner in Kazakhstan on April 8 at the Aktobe branch of the Republican Science Technical Library. While in Aktobe, he also held meetings with oblast (regional) and city officials, NGO's representatives, and local businessmen. Aktobe appears to be pinning its economic development hopes on natural resources. Business leaders complained about poorly-trained personnel, low educational standards, and problems with government regulation. The Aktobe Women's Support Center, an NGO, is cooperating well with local authorities on issues of domestic violence, human trafficking, and protecting children's rights. End Summary.

Lacking Infrastructure, Aktobe Banks on Natural Resources

¶2. (C) Having broken with Soviet-era revenue streams from agriculture and livestock, Aktobe oblast (i.e., region) officials now believe that their economic prosperity is ultimately linked to the efficient exploitation of their natural resources, which include significant deposits of oil and gas. According to Oblast Deputy Akim Zhetkergen Oralmagambekov, wheat is still cultivated on over 6.5 million acres of land in the oblast's northeast, but most of the agricultural land surrounding the city of Aktobe has long been fallow. Although plans have been discussed for the resuscitation of part of the agricultural sector, more emphasis is being placed on the extraction of minerals, including copper, nickel, gold, chromium and silicon. Like all of Kazakhstan, the rapidly rising cost of living and commodities and looming threat of increased inflation rates weigh heavily on Aktobe officials. According to Aktobe City Akim Serik Nokin, the sub-prime crisis has had an impact on local economic growth. He noted specifically the relative unavailability of credit, which has impacted several unfinished construction sites. Despite these challenges, Oralmagambekov insisted that in Aktobe oblast "we are developing quickly."

Businesses Face Obstacles, Seek Partner in Advocacy

¶3. (C) The Ambassador met with a group of Aktobe business leaders, including a representative of the Aktobe branch of the Atameken business association. The business leaders agreed that despite significant resource wealth, the economic development of Aktobe is hindered by several factors, including a lack of skilled laborers, irregular governmental

regulation, poorly developed infrastructure (including poor roads and deficient power generation), and inefficient customs practices. Acknowledging the need to bring issues to the attention of the government, the group was divided in their vision as to how best this could be achieved. They also were apprehensive about rising inflation rates, which have for some increased production costs by 20 percent over the past year. Rising oil prices, proposed export tariffs and export restrictions, and growing food costs have curbed their optimism.

¶4. (C) According to the businessmen, a lack of qualified specialists and technicians, as well as an ineffective system of educational accreditation, is impacting economic development. Absent rigorous accreditation standards like those maintained during the Soviet period, Kazakhstan has witnessed an increase in the number of questionable degree-offering institutions, they maintained. Relaxed standards and easily purchased degrees have shaken industry confidence in the ability of the system to prepare qualified personnel. According to Anatoly Kunevich, President of Caspi Neft TME, verifying credentials is nearly impossible, making it easy for many job-seekers to simply lie about their qualifications from the start. Tleumurat Darkhanuly of KazTechnoGas said he was reluctant to use local employment agencies and increasingly turned to the internet to outsource work such as financial and legal services.

¶5. (C) Inconsistent government regulations continue to challenge business development. According to Kunevich, he has still not recovered his initial investment made nine years ago, yet his enterprise has been increasingly subjected to inspections from government agencies who believe it is profitable. "The government's appetite is growing, and everyone checks us, especially before January 1" said Kunevich, indirectly implying official corruption. The

businessmen collectively acknowledged the need for effective business advocacy, arguing that those who regulate it from above do not properly understand the market.

Small But Real Victories For Civil Society

¶6. (C) At a press conference hosted by the Aktobe Akimat, reporters and officials made clear their curiosity about the opening of the American Corner, the availability of English language instruction, other possible U.S. regional priorities, and their general perception of decreased levels of U.S. funding and interest in Kazakhstan. Several locals inquired about the fate of relations between the U.S. and Kazakhstan following 2008 U.S. presidential elections. (Note: The audience laughed heartily when the Ambassador assured them that the only certainty was that there would be a new president. End Note.) Journalist Bayan Sarsembina from Zhas Alash made an indirect plea for continued support of independent media, inquiring about future programs that the U.S. government would provide similar to the previous independent journalism seminars. Noting "the situation we are currently in here," Sarsembina criticized the Kazakhstani political process and one-party parliament asking if in light of its "murderous" treatment of the opposition Kazakhstan had the "moral right" to serve as Chair of the OSCE. (Note: Later that day, Aktobe City Akim Nokin and Deputy Oblast Akim Oralmagambekov remarked to the Ambassador on Sarsembina's bravado, saying with a wink that the authorities have ultimately "found it easier to let journalists talk" rather than to trying to impede them. End Note.)

¶7. (U) Participating in a round table discussion with the Ambassador at the Aktobe Women's Support Center, both local officials and center staff discussed their work to prevent domestic violence and human trafficking and protect the rights of children and migrant laborers. The Center currently receives funding from the Soros and Counterpart Foundations, as well the U.S. government. Operating primarily as a community-based resource and training center,

it has also demonstrated unusual success by initiating an ongoing partnership and collaboration with regional authorities, including the Transport Police and the Aktobe Oblast Department of Internal Affairs. Working closely with the authorities, the Women's Support Center maintains a hotline and offers psychological counseling and rehabilitation services for victims of trafficking and violence.

Street-Level Observations Indicate A Society In Transition

¶18. (SBU) The ethnically diverse city of Aktobe is home to Russian, Kazakh, and -- increasingly -- Chinese speakers. Russian remains omnipresent, but Kazakh is increasingly spoken on the streets and -- according to Deputy Oblast Akim Oralmagambekov -- in the halls of government. Religion, Oralmagambetov assured the Ambassador, does not play a major role in Aktobe. More specifically, he said that there were no problems with religious extremism, but the city was constructing a new mosque in the city center in response to increased demand for places of worship. According to Oralmagambetov, a new Orthodox church is also being built across the street from the mosque, but we did not see signs of its construction. The bulk of the infrastructure of Aktobe clearly dated from Soviet times, much of it in significant disrepair. There were a few new construction sites, and government facilities visited, including the Pedagogical Institute and City Administration, were in good condition.

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